

MEMORANDUM NO. 03-1115

DATE: August 5, 2003

TO: Mayor Jim Naugle
Vice-Mayor Carlton B. Moore
Commissioner Christine Teel
Commissioner Dean J. Trantalis
Commissioner Cindi Hutchinson
Harry A. Stewart, City Attorney
Lucy Kisela, City Clerk

FROM: F. T. Johnson, City Manager

VIA: Bud Bentley, Assistant City Manager

BY: Terry L. Sharp, Director of Finance

SUBJECT: Continuation of the July 15, 2003 Commission Meeting re FY2004 Budget
Scheduled for July 29, 2003

At its meeting of July 15, 2003, the Commission recessed the meeting to July 22, 2003, to receive the City Manager's Proposed Budget for FY 2003-2004. After public input and Commission discussion, the Commission recessed the July 22, 2003 meeting to July 29, 2003.

This memorandum has been prepared for the continued budget discussion scheduled for Tuesday, July 29, 2003 at 6:00 p.m. The material includes possible adjustments to the proposed budget submitted for the July 15th Commission meeting, additional details about budget reductions already incorporated in the proposed budget, and clarification of facts as it relates to the budget discussion on July 22.

Alternative Budget Adjustments

As emphasized in the City Manager's presentation last Tuesday, the Commission is required to submit to the Broward County Property Appraiser by August 4, 2003 a maximum (preliminary) millage rate. At the September budget hearings, the Commission will be asked to adopt a final millage rate. Such a rate must be the same or lower than the rate chosen for the TRIM notices unless the City provides notification to each property owner. Staff urges the Commission to determine a rate on Tuesday that provides some flexibility for final balancing decisions in September. During the month of August, additional balancing ideas will be collected from citizens, employees, and City advisory boards.

The Mayor and Commissioners suggestions for adjustments in the proposed budget are attached (**Exhibit 1**). In a separate transmittal, the Budget Advisory Board is proposing some budget adjustments for Commission consideration.

Recommended Budget Adjustments

We calculated the savings for the suggested budget alternatives and evaluated them in terms of short or long-term impact on the organization in light of existing City policy. We also had many suggestions from the Departments and, as requested by the Commission at the July 22nd meeting, developed the recommendations shown in Table I.

I believe these adjustments are a balanced approach to meeting the goals and policies of the Commission by:

- ❑ Implementing some of the suggestions from the Commission where there appeared to be some consensus;
- ❑ Including some of the suggestions identified by the Budget Advisory Board last Thursday;
- ❑ Addressing a concern about whether there is sufficient appropriation for the Police and Fire-Rescue Departments to continue their current levels of service; and,
- ❑ Reducing the overall increase in the millage rate to 10.16 percent over roll back.

The adjustments do not make the necessary structural changes that are needed to implement for long-term financial stability. Those changes require more time and discussion to formulate and should be part of comprehensive policy deliberations and a long-range, strategic financial plan.

Table I

<u>Budget Adjustment</u>	<u>Value</u>
1. Close the Jail but Retain the Booking Operation	\$1,200,000
2. Retain the Current Frequency for Mowing Medians	(100,000)
3. Increase the Projected Revenue from Code Fines	150,000
4. Eliminate the New Assistant City Attorney & Legal Secretary Positions	100,000
5. Reduce Costs for Cell Phones or Other Communication by One-Third	100,000
6. Retain the Programs at Sunrise Middle and Lauderdale High Pools	(50,000)
7. Reduce City Subsidy for the Air and Sea Show	150,000
8. Implement an Alarm Registration Program and Increase Response Fees	2,000,000
9. Provide More Realistic Overtime for Police and Fire-Rescue	(2,400,000)
10. Increase Projected Revenue from FPL Franchise Fees	200,000
11. Increase Projected Revenue from Construction Services	250,000
12. Employees Pay Commuting fee for certain take home cars	150,000
13. Borrow for Police Computer Needs	<u>400,000</u>
 Total of Proposed Adjustments	 \$2,150,000
 Reduction in the Millage Rate	
Original Proposed Total Millage Rate Above Rollbacked Rate	12.73%
Additional Saving	<u>(1.57%)</u>
Revised Total Millage Rate Above Rollbacked Rate	10.16%

Notes:

Item 7 – Air & Sea Show. Section 16 of the Air & Sea Show Agreement provides that the City may terminate the following year's show by giving the Promoter notice by July 1st of the preceding year. The Air & Sea Show's last year under the terms of the current agreement is 2005.

The Parks & Recreation Director has discussed the City's need to reduce its cost with the Promoter who advises that he is not in a position to increase the amount he pays for city services. Most of the increased cost in city services the past 2 years is related to increases in police and fire services. Under the terms of the agreement, if the Promoter does not request the additional city services, he does not have to pay for them. We have the option of evaluating the city services provided and scaling them back. We have included an estimated saving of \$150,000 for planning purposes.

Item 8 – Alarm Registration fee. In 1996 the City amended its alarm response policy. There was a \$100 registration fee implemented per security company that monitor alarms installed upon properties within the boundaries of the City. The fee for responding to more than two alarms within any twelve-month period was set at \$50 for police and \$100 for fire. The Police Department proposes a registration fee of \$75 per alarm within the city with a \$25 annual renewal and update the response fee to at least reflect the same percentage of cost recover as in 1996.

Item 13 – Commuter Fee. The Police Department has the most take home vehicles. The Police Department's policy provides vehicles for new officers that live within the following boundaries ("the box"): south of Sample Road, north of Hollywood Boulevard, and east of Nob Hill Road. When the program was implemented, current officers were grandfathered and the commuting restrictions do not apply. There are officers with personally assigned vehicles who live and commute outside of these boundaries. In addition, there are unmarked take home cars.

The Police Department advises that others agencies such as Miami-Dade charge a monthly commuting fee to officers that drive a take home car over a certain distance from work. Miami-Dade charges \$50 per month within the county and \$100 within Broward County. The estimate in Table I reflects these rates multiplied by the number of Fort Lauderdale Officers that take home City vehicles (marked and unmarked).

We propose a commuting fee be implemented for all take home cars beyond a specific distance from the work place, including those assigned to management employees. The commuting fee would need to be negotiated with the three unions.

Additional Details About Budget Reductions Already Incorporated
in the Proposed FY 2004 Budget

We have received several requests to provide additional information about the numerous reductions from initial departmental projections for the FY 2004 budget. The budget proposed by the City Manager on July 15th and presented on July 22nd is millions of dollars lower than what the departments requested.

One of the key fiscal criteria we examine is the amount of Net General Fund support (**NGFS**) needed by each department and how that changes over time. NGFS is a simple calculation of expenditures minus department-specific revenue. The remaining amount is the General Fund support (taxes) necessary for the department to operate. The FY 2004 calculation for the Police Department's budget is:

FY 2004	
Expenditures:	\$75,563,217
Revenues:	<u>\$ 3,272,100</u>
Net General Fund Support:	\$69,291,117

We have prepared the attached **Exhibit 2** to show the Net General Fund Support (**NGFS**) that is needed by each department.

NGFS helps remove the swings in a department's budget from activities that produce offsetting revenues and focuses the policy discussion. For example, the policy debate would be quite different if the Police Department budget was going up 25% this year and the increase was completely offset by grant revenues vs. a 25% increase that had to be paid for by property taxes.

Among the information provided by Table 2 is that once direction is given that Police, Fire-Rescue, Parks & Recreation, and Public Services are considered hands-off for further reductions, there are very few budget dollars left to produce significant savings. The remaining 8 departments represent about \$18 million in NGFS and those budgets would need to be reduced by about 60% to achieve the suggested \$10.7 million reduction in property tax.

There are several rounds of cuts in the evaluation process of putting together an annual budget recommendation. **Exhibit 3** outlines the breakdown of the final budget adjustments in the General Fund necessary to balance the FY 2004 Recommended Budget. This exhibit does not include the further adjustments proposed in this memorandum. The budget adjustments shown in Exhibit 3 are summarized below:

<u>Department</u>	<u>Amount</u>
Administrative Services	\$1,481,385
City Attorney's Office	95,000
Community & Economic Development	209,344
City Clerk	32,017
Finance	27,900
Fire-Rescue	3,935,446
City Manager's Office	125,987

Office of Professional Standards	22,141
Parks and Recreation	1,696,500
Police	1,994,916
Public Services	640,558
All Departments	<u>4,400,000</u>
Total	\$15,161,194

As you can see, the City departments identified significant savings or alternative resources before tax increases were considered.

Clarification of Facts and Statements

Fund Accounting

It is important during budget deliberations to acknowledge the purpose of fund accounting and to separately address issues related to each fund. The City Commission has authorized various funds for specific purposes. For example, the Sanitation Fund has been created to provide for refuse collection and disposal services to properties within the City limits. The funding for these services comes from the users of the services. The City has sold revenue bonds to provide for the closure of the Wingate Landfill. Such bonds require that the City continue with a separate fund and a specific amount of revenue over expenditures that gives the bondholders assurance that their investment is safe. The reason for the proposed rate increase is to meet that revenue coverage requirement. A rate increase can be avoided for the Sanitation Fund if the trash transfer station is closed. The facility currently costs the City \$2 million more than the revenue received.

Closing the facility will result in some illegal dumping on the City's right-of-ways, at least in the short term. It is recommended that the City assume \$1.5 million in savings should the closure be approved with \$500,000 retained for clean up of this litter outside the trash transfer station.

As various alternatives for balancing the General Fund are considered, we advise care be taken to ensure the actual saving to the General Fund be used rather than mentioning the saving for all funds. It is very important that the actual savings to the General Fund be calculated and understood since the City cannot generate savings in the Water and Sewer Fund, as an example, to fund the mounted police patrol. There are bond covenants limiting that funds use as well as the lack of any connection between water consumption (the basis for the water and sewer bill) and the delivery of mounted police patrol services. The Water and Sewer fee increase is due to the planned 2.5 percent increase for operating expenditures as outlined in the Waterworks 2011 financing plan and 2.5 percent to provide for the required revenue coverage outlined in the bond covenants for the revenue bonds.

Change in the Tax Base

The City of Fort Lauderdale tax base has increased 13.7 percent above the actual amount of the tax base from last year; however, last year's tax base is lower by \$235 million from the tax base we used for budgeting purposes in July 2002. Therefore, 1.6 percentage points of the increase is attributable to the lowering of last year's tax base.

The question is asked: Where did all the money go from this jump in the tax base?

Answer: ***There is no new money without an increase in the tax rate except for the \$1.3 million from new construction, which, because of the decrease explained above, is just \$350,000 more than the City budgeted a year ago. The proposed millage rate would allow the City to receive the 10.16 percent increase in the taxable value of property.***

Compensation Policies

Non-Bargaining Employee Compensation

We received several questions about the City compensation policy for non-bargaining employees, the most recent during the July 24th Budget Advisory Board meeting. The Advisory Board was interested in learning when the City had last evaluated its compensation package and if the benefits (pension, car allowances, longevity) mentioned at the July 22, 2003 Commission meeting were included in the analysis.

The City internally conducts salary surveys and also contracts for an external comprehensive evaluation of our classification and pay system. Following is the information about our last comprehensive study, which was implemented in October 2000.

At its meeting on December 7, 1999, the City Commission authorized WMS Management Consultants to conduct a comprehensive classification and pay study of the City's non-bargaining unit employees (Memorandum No. 99-1689). Prior to that study, the City had not conducted a comprehensive review of Salary Schedule I (Supervisory, Professional, and Managerial) employees and Salary Schedule II (Confidential) employees since a study was conducted in 1990 – 1991, which was implemented in October 1992.

WMS owns the copyrighted Equi-Comp point factor job evaluation system that the City installed and has used since 1980 to evaluate jobs. Subsequent studies were done in 1986 and 1990-1991. Equi-Comp provides a logical, analytical and reliable method of evaluating jobs and also meets legal requirements by encompassing the generic compensable factors specified by the Equal Pay Act of 1963 as key criteria for determining if jobs are "substantially equal" while at the same time being less administratively burdensome than other point factor job evaluation systems.

The primary goals of the comprehensive study conducted in 2000 were to ensure the internal fairness of our pay practices given the numerous organizational changes that occurred between 1992 and 2000, and to verify and audit the competitiveness of our non-bargaining unit compensation plan with our established South Florida survey group. The study was conducted primarily during the spring and summer of 2000, and the pay consultant's recommendations were implemented via pay ordinance on October 1, 2000 (Memorandum No. 00-1248). The recommendations maintained the City's overall pay practice of approximating the 60th

percentile. The large majority of classifications (approximately 82%) had either no change or a one (1) pay range adjustment.

Fringe benefits are an important (and expensive) part of a compensation package and need to be carefully managed by the City. One way we evaluate the appropriate cost of fringe benefits is to monitor the marketplace and determine what others are paying. The Society for Human Resource Management (SHRM), the world's largest association devoted to human resources management (more than 170,000 individual members and 500 affiliated chapters in the United States) recently completed its annual benefits survey. The survey yielded 584 responses from private, education, government and nonprofit organizations to almost 200 questions covering a wide range of benefits. It is a very complex survey and next to impossible to make true "apples-to-apples" benefit cost comparisons from employer-to-employer, industry-to-industry, etc. due to differences in benefits provided and variations in plan designs. For example, in the health care benefits area co-payments and co-insurance amounts vary significantly as do schedules of benefits, maximum out-of-pocket amounts and types of plans provided – Health Maintenance Organizations (HMOs), Preferred Provided Organizations (PPOs), etc. Additionally, pension/retirement plan designs and benefit levels differ widely as do other benefits.

Therefore, a commonly used measure of the cost of benefits is the total cost for all benefits in comparison to an organization's straight time payroll costs:

$$\begin{array}{rcccl} \text{COST OF BENEFITS} & & & \text{TOTAL COST OF BENEFITS} & \\ \text{RATIO} & = & \frac{\text{TOTAL COST OF BENEFITS}}{\text{TOTAL STRAIGHT TIME PAYROLL COST}} \end{array}$$

The cost-of-benefits factor includes both mandatory benefits, such as Social Security and Medicare, as well as voluntary benefits such as health insurance and pension/retirement benefits. The 2003 SHRM benefits survey showed that the mean percentage of salary reflecting the cost of benefits across industries is 46%. Broken down further by organization size (based upon number of employees) the ratio ranges from 44% for small employers (less than 100 employees) to 48% for large employers (500 or more employees). The City's ratio is most accurately determined by dividing the budgeted cost for all benefits (Social Security, Medicare, pension, health insurance, worker's compensation, longevity, tuition reimbursement, certification pay, etc.) by the total cost of all permanent salaries. That ratio for FY 2004 is:

$$\frac{\$55,090,717}{\$117,878,186} = 46.7\%$$

The City of Fort Lauderdale's 46.7% cost of benefits ratio places the City's benefits cost at the average of the overall survey responses and below the 48% reported for large employers.

We believe it important to keep the overall cost of fringe benefits in mind when discussing any single benefit.

Pension Plans

The City has two defined benefit pension plans. The General Employees Retirement System (GERS) and the Police & Fire Pension Plan provide retirement benefits based upon an employee's pensionable compensation and years of service. These are the plans that require significant additional contributions next fiscal year. We need to keep in mind that in prior years, when investment earnings were strong and the City's contribution went down, the savings were used to reduce the millage rate or to increase services. Attached for the Commission's information is a table (**Exhibit 4**) showing the contribution rates since 1995. You will note that the contributions rates for the Police & Fire Plan in 1995 to 1997 are very similar to what we will be contributing in FY 2004.

Contrary to what was inferred at the July 22, 2003 meeting, ***the pension benefits as well as the percentage of salary contributed by an employee and the City are the same*** for both union employees and non-bargaining employees in the same pension plan.

In addition, the City has a defined contribution pension plan or 401(a) plan. IRS rules prevent employees from contributing to the 401(a) plan. The employee has flexibility to guide the investment of their pension funds according to their own needs and tolerance for risk. The contribution rate for the FOPA defined contribution plan was fixed at 9% at time of implementation in 1995 and is subject to bargaining. The contribution rate for the non-classified employees is set to the 5-year average of the City's GERS contributions.

Health Insurance Benefits

The City has three self-insured health plans: the International Association of Firefighters (IAFF) plan, the Fraternal Order of Police (**FOP**) plan, and the plan for general employees.

- ❑ All three plans are self-insured.
- ❑ The first two plans have a City contribution amount that is based upon a flat dollar per employee per month.
- ❑ The general employee plan has been structured so that the City contribution varies by tier of coverage. That means that an employee with family coverage has more money contributed on their behalf than single employees. In prior insured plans, the City worked with the union involved in allocating the flat dollar contribution when such an amount exceeded the premium for single coverage. These plans are inherently a part of the negotiation process with the bargaining units.
 - The City is planning an annual open enrollment in November when changes in benefits and deductions would be timely. Additional adjustments including comparison with insured products can be made to the existing plan for union or non-bargaining employees.
 - All employees in the health plans have a payroll deduction to pay a portion of the cost of their health plans including management. **The City does not pay the full cost for any employee's health care.**
- ❑ The suggestion of a unified health plan is a good one. In September 2000, the City attempted to do that. The firefighters were not interested and the FOP decided after the request for proposal process to manage their own plan.

- ❑ All employee deductions for premiums are currently pre-tax and the City also provides a Section 125 flexible spending account as well.

Expense & Car Allowances

Expense allowances and mileage reimbursement are provided to non-bargaining employees in management categories IV & V. Vehicle allowances are provided to non-bargaining employees in management categories I, II & III. These allowances are provided to help offset the employee's expenses related to their position and are part of a total compensation package for non-bargaining unit employees. The amounts of these allowances along with the rest of the City's compensation package are consistent with other organizations nationally when measured as a percentage of salaries.

Before the Commission established these allowances, many employees had a take-home car or the use of pool car. Non-bargaining unit employees who receive this benefit include foremen, accountants, engineers, Information Technology positions, architects, police captains to department directors. There are a large number of people that would be impacted if such allowances were eliminated or reduced.

Compression between supervisor and subordinate compensation is a serious issue that affects recruitment of new managers and the morale of current employees. Reductions in this compensation package could lead to more bargaining units and fewer employees managed without the complexity of negotiated labor agreements.

Longevity

The City has had a longevity program for all employees since 1959. Other jurisdictions provide a similar benefit. Longevity pay is a common practice in the public sector, where employees rarely receive any of the "perks" commonly associated with private sector employment such as annual cash bonuses, stock options, gain sharing and goal sharing plans, one-time spot rewards, team-based pay, monthly or quarterly incentive plans, and profit sharing.

With various implementation dates beginning with firefighters in 1982 and ending with police officers in 1993, the City implemented a second tier plan that shifted the benefit from a percentage-of-pay to a flat-dollar benefit. Such a move has flattened the expense for longevity benefits. Without the change to a second tier, the longevity expenditures last November, when the checks were issued, would have totaled an **additional \$789,000**.

How the Longevity is Earned and How it is Paid

Years of service for longevity credit are calculated through October 31 of each calendar year for the annual longevity payment made on or around December 1 of the year. To qualify for longevity pay, an employee must have a minimum of five (5) years of continuous service as of October 31 of the payout year.

The longevity benefit that will be paid next fiscal year around December 1, 2003 is earned in FY 2003. If the Commission makes a change in the City's longevity benefit, the City will not, for the most part, realize any saving until FY 2005.

The elimination of longevity affects employees significantly differently. Our most senior employees will take a 10% to 12.5% cut in pay while employees with less than five years with the City will not see any reduction in pay. An alternative is to cap current benefits or provide a reduced benefit in the future. Given the past history the City had with implementing the flat dollar longevity benefit, this change would surely have to be imposed on the unions. As this affects total compensation, we would expect the unions to propose other increase in compensation to counter the loss of this benefit.

Overtime

Overtime has historically been under budgeted especially in Police and Fire-Rescue. In the current year, over half of the overtime in the Police Department is due to staffing shortages. The remainder of overtime is equally spread over the following purposes: holiday shifts, special unit (i.e. homicide) call out, court appearances, action plan support, City-sponsored events, and training. In the Fire-Rescue Department, most of the overtime is related to minimum staffing levels that dictate how many fire-rescue personnel must be on various pieces of equipment. Sick leave and training account for most of the need for overtime. Some overtime in Fire-Rescue is reimbursed such as a portion of the Air and Sea Show costs as well as special details. The same is true in the Police budget.

Understanding that next year's budget will not allow the Police Chief or Fire Chief to have any flexibility with using salary savings in their departments and that additional General Fund support during the year will not be possible, we recommend an adjustment to increase the budget appropriations primarily for overtime. We propose the increase in the police budget and the increase in the fire budget be funded with revenues from an alarm registration fee of \$75 per alarm initially with a \$25 annual renewal, and a \$150 fee if a response is dispatched to an address not registered with the City. The revised appropriation amounts are more realistic given the track record of actual to budget overtime costs. Staff will provide the reports on overtime as part of the Commission's request for monthly reports.

The use of compensation time can reduce short-term expenditures for overtime; however, the option of whether an employee gets paid or accrues time off is at the option of the employee not the employer per the Federal Fair Labor Standards Act (FLSA). FLSA also caps how much compensation time can be accrued per employee. The City's pay ordinance and labor contracts include further limits. When an employee leaves City employment, the City is required to pay for any unused compensation time.

Questions/Statements from the July 22, 2003 Meeting

- 1. A total of \$830,000 was transferred from the Stormwater Fund to the General Fund.**

In the July 18, 2003 Commission Memorandum No. 03-1103, Public Services states part of the expenses of the Stormwater Fund are "...transfers to the General Fund (\$830,000)." During the July 22, 2003 budget discussion, it was inferred that this is a subsidy of the General Fund.

We apologize for the use of the term "transfers to the General Fund" in the memorandum since these are actually charges for services. The Stormwater Fund, along with other funds, is

charged for services received from the General Fund such as legal, financial, and personnel services as well as insurance coverage through the Insurance Fund. To do otherwise results in a subsidy by the General Fund and the Insurance Fund, an over reliance on the property tax, and reduction in the user fee for services. A basic principle of a fund accounting is that the City should price its service(s) at cost.

2. There is money available from the part-time salaries line item in the Swimming Hall of Fame Pool Complex budget that can be used to offset the cost of the two pools proposed for closing.

While we budget for part-time salaries in a separate line item, the new Cyborg payroll/personnel system includes the expenses for full and part-time salaries in one line item. This means the year-to-date actual part-time salaries expenditures after November 2002 (Cyborg implementation date) are reflected in the permanent salaries line item. The expenditure projection for permanent and part-time salaries does not result in savings to offset the cost of the two pools proposed for closing.

Given the expression of support by the Commission at the July 22, 2003 meeting, we have provided funding in the recommended budget alternatives to keep these two pools open despite the fact that the number of users of these aquatic locations is very low compared to other sites in the City. Through the month of June 2003, Fort Lauderdale High School Pool has had a total attendance of 2,859. Fifty percent (50%) of this total figure attended in the month of June since the summer camps have opened and accessed this pool 5 days a week. During the school year attendance figures average 8 participants a day with our lap swim program. This fiscal year the Sunrise Middle School Pool has been open five months and had a total attendance of 1,254 or about 8 people per day. (The pool normal closure over the winter months was from December 2002 through March 2003.)

Ft Laud HS Pool	Monthly Attendance	Daily Average
March	258	8
April	253	8
May	292	9
June	1,037	35

The figures for March-May include Lap Swim participation; June also includes Recreation swim participation from public and summer camps.

Sunrise MS Pool	Monthly Attendance	Daily Average
March	-closed	
April	336	11
May	208	7
June	467	16

3. Require Employees with take home cars to reimburse the city for mileage if they live beyond a specified distance from the Police Station.

The Police Department has the most take home vehicles. The Police Department's policy provides vehicles for new officer that live within the following boundaries ("the box"): south of

Sample Road, north of Hollywood Boulevard, and east of Nob Hill Road. The Department assigned vehicles to existing officers without the commuting restriction and there are 26 officers with personally assigned vehicles who live and commute outside of these boundaries.

We recommend implementing a commuting fee and have included it on the Recommended Budget Adjustment Table on page 2.

4. Reduce the Expenditures for Cell Phones, Radios, and Pagers.

We believe this is possible if we change the way we do business and certain expectations for instant communications. For example, the Fire Rescue has reduced the number of pagers it uses by purchasing cell phones with text messaging capabilities. Each device provides a unique communication capability. A cell phone provides for contact with the public and those outside of the City organization but are not secure. Radios provide for more secure communication within the City network. Pagers allow for contact with a message when voice to voice contact is unnecessary or not possible. A 33% reduction in cell phone usage would save \$100,000 and we recommend making the necessary changes in the way we do business to achieve this savings.

Next Steps

Upon approval of a millage rate that can be used for notification to property owners, the amounts will be provided to the Broward County Property Appraiser for the Truth in Millage (TRIM) notices that are distributed in August. We will continue to seek input on ways to improve the budget from citizens, employees, and advisory boards. The Budget Advisory Board will meet in August to refine their recommendations.

The first Public Hearing on the FY 2004 Budget is set for September 3 at 6:00 p.m.

More significant structural changes are necessary for long-range financial stability. One-time fixes will not work in the long run. Such adjustments will be addressed in the development of the strategic financial plan recommended in the budget message. Participation by the Budget Advisory Board and outside experts including an outside auditor as recommended by Commissioner Hutchinson and selected through the City's procurement process could be helpful. City staff is committed to completing such a plan before the FY2005 budget process begins next spring.

Exhibits (4)